

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

MARKET-DOMINANT PRICE CHANGE

Docket No. R2023-1

**RESPONSES OF THE UNITED STATES POSTAL SERVICE TO
CHAIRMAN'S INFORMATION REQUEST NO. 2**
(October 25, 2022)

The United States Postal Service hereby provides its responses Chairman's Information Request No. 2, issued on October 18, 2022. Each question is stated verbatim and is followed by its response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

James L. Tucker
Chief Counsel, Pricing & Product Support

Nickolas Card

475 L'Enfant Plaza, S.W.
Washington, D.C. 20260-1101
Nickolas.S.Card@usps.gov
October 25, 2022

First-Class Mail

1. Please provide an explanation as well as the underlying data sources and calculations used to determine the volume distribution percentages in cells J2 and J3 of Library Reference USPS-LR-R2023-1/1, October 7, 2022, Excel file "CAPCALC-FCM-R2023-1.xlsx," tab "Color Transpromo."

Response:

The Postal Service used the actual Program Registration promotion data to identify Mail Owners who participated in the CY21 Personalized Color Transpromo (PCT) promotion and who also participated in the CY21 Earned Value (EV) promotion. Then the CY21 PCT volumes (852.5 M pieces) were summed and divided by the total number of CY21 PCT volumes (985.9 M pieces) to get the estimated percentage of volume (86%) that would qualify for the 4% incentive. Please see the attached Excel spreadsheet "ChIR2 Q1 R2023-1." Customer names have been redacted from this file.

USPS Marketing Mail

2. In the Notice, the Postal Service states that it “has estimated the High Density Flats, High Density Plus Flats, [Every Door Direct Mail (EDDM)] Flats, and Saturation Flats volume on Delivery Sort containers using the percentage numbers derived from The Marketing Mail Characteristics Study documented in USPS-FY21-12 in ACR-2021.” Notice at 20. The Postal Service also states that it “has estimated the 3-Digit, 5-Digit, Carrier Route High Density, High Density Plus, EDDM Flats, and Saturation Flats volume on [Sectional Center Facility (SCF)] Pallets using the percentage numbers derived from The Marketing Mail Characteristics Study documented in USPS-FY21-12 in ACR-2021.” *Id.*
 - a. Please confirm that the Mail Characteristics Study is included in Docket No. ACR2021, Library Reference USPS-FY21-12, December 29, 2021. If not confirmed, please provide the correct library reference. Please also provide the correct referenced file(s) in an Excel format.
 - b. Please identify in the appropriate source the specific cells where the percentages used to calculate the above described adjustments to the Billing Determinants are located. *See id.* at 20. If the percentages are derived from a calculation or calculations, please provide the calculation(s).

Response:

- a. Not confirmed. The correct Library Reference from Docket No. ACR2021 is USPS-FY21-14. The Excel spreadsheet “ChIR2 Q2 R2023-1.xlsx” provides data derived from the USPS-FY21-14 methodology. The first tab (“% breakdown by containers”) provides the data used by the Postal Service to estimate volumes for both Delivery Sort Containers and SCF Pallets. All the numbers in this tab are linked to the source file of USPS-FY21-14 filed with ACR 2021 for Flats and

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 2
P. 4 of 19**

Carrier Route. The Saturation and High Density tables were not provided in Docket No ACR21 but were derived using the same methodology. Except for three percentages (High Density, High Density Plus and Saturation including EDDM – highlighted in yellow), the percentages match what was used in the Capcalc file. These three numbers have been updated and a revised Capcalc file (“CAPCALC ChIR2 Q2&4 R2023-1.xlsx”) is provided with this response. This results in an increase in the banked amount from 0.002 percent to 0.003 percent. Also, please note that the percentage of Carrier Route Flats on Delivery Sort Containers (15.4 percent) is not used in the Capcalc file because actual Billing Determinants/RPW data is available for this volume.

- b. The tab “% breakdown by containers” provides the link to source data and the calculations to derive these percentages.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 2
P. 5 of 19**

3. Please refer to cells C92, C93, and C168 of Library Reference USPS-LR-R2023-1/2, October 7, 2022, Excel file "CAPCALC-USPSMM-R2023-1.xlsx," tab "Carrier Route."
- a. Please confirm that Carrier Route flats on Delivery Sort containers (*i.e.*, containers already qualifying for the 5-Digit Scheme Direct container discount) would also qualify for the SCF container discount. If confirmed, please explain the rationale for this.
 - b. If part a. is not confirmed, please explain why the adjustment for Carrier Route flats on SCF pallets is estimated using the sum of total Carrier Route flats on other containers and Carrier Route flats on Delivery Sort containers in the cells referenced above.

Response:

- a. Not confirmed.
- b. The volume percentage on various containers (including SCF pallets) is based on the total volumes in those categories, and therefore the volume estimates for each of the categories (*e.g.*, Carrier Route Flats on SCF Pallets) are derived by multiplying these percentages by total volume. This does not imply that double-dipping (*i.e.*, one piece claiming both the SCF pallet discount and the Delivery Sort Container discount) will be allowed.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 2
P. 6 of 19**

4. Please refer to Library Reference USPS-LR-R2023-1/2, Excel file "CAPCALC-USPSMM-R2023-1.xlsx," tab "Carrier Route." Please provide a revised version of Excel file "CAPCALC-USPSMM-R2023-1.xlsx" that shows the underlying data sources and calculations used to determine the values in cells E186, E197, G186, and G197.

Response:

Please see the attached revised Capcalc file "CAPCALC ChIR2 Q2&4 R2023-1.xlsx."

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 2
P. 7 of 19**

5. Please refer to cells C27 and C35 in Library Reference USPS-LR-R2023-1/2, Excel file "CAPCALC-USPSMM-R2023-1.xlsx," tab "HD&Saturation Flats and Parcels."
- a. Please confirm that cell C27 should contain the value 319,167,242 and not 319,171,243. If not confirmed, please explain.
 - b. Please confirm that cell C35 should contain the value 121,938,403 and not 121,941,925. If not confirmed, please explain.
 - c. If the responses to parts a.-b. necessitate any changes to Excel file "CAPCALC-USPSMM-R2023-1.xlsx," please file a revised version of Excel file "CAPCALC-USPSMM-R2023-1.xlsx" and any other supporting document as needed.

Response:

- a. Not confirmed. The volume (319,171,243) reported by the Postal Service includes the heavier weight letter-shaped pieces that pay the High Density Flats prices. These are reported in the billing determinants tab "C2-3 ECR Ltr-Shp Flats."
- b. Not confirmed. The difference in associated pounds results from the same reporting practice described in response 5.a.
- c. Not applicable.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 2
P. 8 of 19**

6. Please refer to Library Reference USPS-LR-R2023-1/2, Excel file "CAPCALC-USPSMM-R2023-1.xlsx," tab "Misc." Please identify the source of the value for the Move Update Noncompliance Charge in cell B2. Please also explain why it does not appear in the Billing Determinants.

Response:

Manual, MERLIN based, verifications are no longer performed and have been replaced with automated verifications using electronic postage statement verification as well as mail processing equipment data. As such, the Move Update Noncompliance charge is no longer relevant under the current verification regime and will be removed from the MCS and the Capcalc file in a subsequent price change docket.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 2
P. 9 of 19**

7. Please refer to Library Reference USPS-LR-R2023-1/2, Excel file "4Q21 USPS Marketing Mail BD – Public ACR.xlsx." Please provide an explanation for the negative volume, revenue, and weights in tab "C4-3 NP ECR Ltr-Shp Flats" and tab "C1-5 Reg Parcels."

Response:

Negative volume, revenue, and weights are an artifact of prior period adjustments.

When mailing transactions are discovered that were entered in error, the erroneous transaction is reversed (*i.e.*, entered with negative values). When erroneous transactions and their corresponding reversals occur in different periods, negative values appear in the period in which the reversal was entered.

Periodicals

8. In the Notice, the Postal Service states that it is proposing to accept “sacks containing flats only at Destination Sectional Center Facility (DSCF), Sort and Distribution Centers (SDC), and Destination Delivery Units (DDU).” Notice at 21. In its proposed changes to the Mail Classification Schedule (MCS), the Postal Service proposes the MCS be amended to state that “[s]acks will be accepted at all dropship levels if they contain Parcels and only accepted at DSCF and DDU if they contain Flats.” *Id.* Attachment A at 96.
- a. Please confirm the Postal Service is proposing that sacks will be accepted at DSCFs and DDUs if they contain flats and/or parcels. If not confirmed, please explain.
 - b. If part a. is confirmed, please confirm that it would accurately reflect the Postal Service’s proposal to modify the proposed MCS language in Notice, Attachment A at 96 to state that “Sacks will be accepted at all dropship levels if they contain Parcels and accepted at DSCF and DDU if they contain Flats and/or Parcels.” If not confirmed, please explain.
 - c. Please confirm that the Postal Service intends to accept sacks containing flats at SDCs. See Notice at 21. If not confirmed, please explain.
 - d. If part c. is confirmed, please provide any changes needed to be made to Attachment A to the Notice in legislative format to reflect that the Postal Service intends to accept sacks containing flats at SDCs.

Response:

- a. Not confirmed. Sacks containing flat bundles will be accepted at DSCF, SDC and DDU. Sacks will be accepted with Parcels at all entry points. Sacks containing Carrier Route, High Density, High Density Plus, and Saturation mail on Delivery Sort pallets can be entered at the DDU/SDC or cross-docked from an

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 2
P. 11 of 19**

Origin/NDC/SCF to the DDU/SDC. Otherwise, Marketing Mail flats and Periodical flats will use bundles or flat trays on pallets.

- b. Not confirmed. "SDC" is missing on page 96. Please see the highlighted addition in the revised MCS page attached to this response
- c. Confirmed, provided such sacks contain Carrier Route Flats or flats sorted to a finer depth.
- d. As explained in response 8.b, "SDC" is missing from the MCS pages submitted in Attachment A. Please see the highlighted addition in the attached MCS page reflecting the appropriate change.

Special Services

9. The Postal Service states that “Signature Confirmation and Certificates of Mailing will no longer be available for returns.” *Id.* at 28.
- a. Please provide the Postal Service’s rationale for no longer offering Signature Confirmation and Certificates of Mailing for returns.
 - b. Please describe the likely impact that the changes will have on users of the services and on competitors.
 - c. Please provide the expected effective date of the changes.
 - d. In the MCS, Certificates of Mailing and Signature Confirmation are offered for various Competitive products, including products that may be used to mail returns. Notice, Attachment A at 138, 154. Please explain how the Postal Service defines returns and explain how the Postal Service will distinguish between packages containing returns and packages not containing returns.
 - e. Please provide any changes (in legislative format) that should be made to Attachment A to the Notice to capture the Postal Service’s proposed changes to Certificates of Mailing and Signature Confirmation. *See id.* at 138, 154.

Response:

- a. The Postal Service has decided to end its Signature Confirmation and Certificates of Mailing offerings for returns due to low usage and to simplify its product offerings.
- b. Signature Confirmation and Certificates of Mailing for returns already have low volumes, and the customers that use these services often find the price points confusing and challenging. Eliminating the services will clear up the confusion

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 2
P. 13 of 19**

customers have while purchasing returns services and it will provide customers who choose the Postal Service for return services with a more efficient process. There will be no impact on competitors because they do not provide similar alternative products.

- c. The expected effective date for these changes is January 22, 2023.
- d. The Postal Service currently has USPS Returns and Parcel Return Service, both of which use specific labels to denote if the package is a return. USPS Return Service is an end-to-end offering that streamlines postage calculation through USPS Ship, leveraging technology and package processing equipment to automatically price packages based on captured attributes. There are three options available: First-Class Package Return Service up to 15.999 ounces, Priority Mail Return Service up to 70 pounds, and Ground Return Service up to 70 pounds. Parcel Return Service is a workshare discount program that offers a simple and cost-effective way for businesses to have customers return items. Mailers must pick up their returns at designated Postal Service facilities within 48 hours (for RDUs) or 24 hours (for RSCFs/RADCs). If the package has a label denoting it as either one of these products it is considered a return.
- e. Please see the attached revisions to MCS page 138 reflecting the appropriate changes.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 2
P. 14 of 19**

10. The Postal Service states that Correction of Address Lists and ZIP Code Sortation of Address Lists will no longer be offered as services under the Address Management Services product. Notice at 28; *id.* Attachment A at 174, 176.
- a. Please provide the Postal Service's rationale for no longer offering Correction of Address Lists and ZIP Code Sortation of Address Lists.
 - b. Please describe the likely impact that the changes will have on users of the services.
 - c. Attachment A to the Notice retains descriptions of Correction of Address Lists and ZIP Code Sortation of Address Lists. *Id.* at 167, 172. Please confirm that those descriptions should be removed from the MCS and provide any changes (in legislative format) that should be made to Attachment A to the Notice. If not confirmed, please explain.

Response:

- a. These manual services had extremely low usage and the postal service has electronic alternatives to both services (AEC and AEC II).
- b. Due to the availability of electronic alternatives the Postal Service does not foresee any negative impact on users of these services.
- c. Confirmed. Please see the attached revisions to MCS pages 167 and 172 reflecting the appropriate changes.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 2
P. 15 of 19**

11. Please refer to Library Reference USPS-LR-R2023-1/5, October 7, 2022, Excel file "R2023-1 Special Services CapCalc.xlsx," tab "F-12 Signature Confirmation."
- a. Please confirm the volumes in cells H9:H12 used for the Price and Revenue Increase Calculations are correct. If not confirmed, please file a revised version of Excel file "R2023-1 Special Services CapCalc.xlsx" or any other supporting document as needed.
 - b. The Postal Service provides a note advising of a Billing Determinants adjustment on account of Signature Confirmation service being eliminated for returns along with the adjustment in cells G18:M23. Please provide the adjusted final Billing Determinants volumes broken out by fiscal quarter (*i.e.*, FY 2021 Quarter 4, FY 2022 Quarter 1, FY 2022 Quarter 2, and FY 2022 Quarter 3). If the sums of the quarterly volumes differ from those in cells H9:H12 for their respective categories, please explain.
 - c. Please confirm the 0 volume for the Signature Confirmation Restricted Delivery NSA in cell C11 is correct. If not confirmed, please file a revised version of Excel file "R2023-1 Special Services CapCalc.xlsx" with the correct volume and any other supporting document as needed.

Response:

- a. Confirmed.
- b. Please see attached Excel spreadsheet "ChIR2 Q11B R2023-1.xlsx" for requested information. As noted in the document itself, there is no information for whether the service used a manual or electronic return, so the returns with signature confirmation were distributed using the ratio between manual and electronic. Additionally, the number of returns with Signature Confirmation varies

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 2
P. 16 of 19**

slightly in the attached document (341,788 vs 341,812 in the Capcalc file), as the numbers have been updated since they were originally filed.

c. Confirmed.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 2
P. 17 of 19**

12. Please refer to Library Reference USPS-LR-R2023-1/5, Excel file "R2023-1 Special Services CapCalc.xlsx," tab "G-3 Certificates of Mailing."
- a. Please confirm the volumes in cells H9:H13 used for the Price and Revenue Increase Calculations are correct. If not confirmed, please file a revised version of Excel file "R2023-1 Special Services CapCalc.xlsx" or any other supporting document as needed.
 - b. The Postal Service provides a note advising of a Billing Determinants adjustment on account of Certificate of Mailing service being eliminated for returns along with the adjustment in cells G19:I23. Please provide the adjusted final Billing Determinants volumes broken out by fiscal quarter (*i.e.*, FY 2021 Quarter 4, FY 2022 Quarter 1, FY 2022 Quarter 2, and FY 2022 Quarter 3). If the sums of the quarterly volumes differ from those in cells H9:H13 for their respective categories, please explain.

Response:

- a. Confirmed.
- b. The Postal Service is unable to provide this information, as the Postal Service does not have actual volumes for returns with Certificates of Mailing. The volume present in the Capcalc document is a proxy using the ratio of returns for Signature Confirmation.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 2
P. 18 of 19**

13. Please refer to Library Reference USPS-LR-R2023-1/5, Excel file "FY21Q4 – FY22Q3 Special Services Hybrid Year.xlsx," tab "G-5 Bulk Parcel Return Service." Please confirm that there were no volumes for FY 2022 Quarters 1 through 3. If not confirmed, please file a revised version of Excel file "FY21Q4 – FY22Q3 Special Services Hybrid Year.xlsx" or any other supporting document as needed.

Response:

Confirmed.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 2
P. 19 of 19**

14. Please refer to Library Reference USPS-LR-R2023-1/5, Excel file "FY21Q4 – FY22Q3 Special Services Hybrid Year.xlsx," tab "K-1 Cass." Please confirm that there were no volumes for FY 2021 Quarter 4 through FY 2022 Quarter 3. If not confirmed, please file a revised version of Excel file "FY21Q4 – FY22Q3 Special Services Hybrid Year.xlsx" or any other supporting document as needed.

Response:

Confirmed.

ATTACHMENT A

REVISED MCS PAGES

Bundle Price

The bundle price applies to all Outside County mail prepared in bundles. The price paid for a bundle depends on the presort level of the container holding the bundle. For bundles containing both Periodicals and USPS Marketing Mail pieces, the bundle price is multiplied by the proportion of pieces in the bundle that are Periodicals pieces. Firm bundles have all pieces destined for one address. The following price categories are available for the product specified in this section:

- Firm (bundle level)
Carrier Route, 5-Digit, 3-Digit/SCF, ADC, Mixed ADC container levels
- Carrier Route (bundle level)
Carrier Route, 5-Digit, 3-Digit/SCF, ADC, Mixed ADC container levels
- 5-Digit (bundle level)
5-Digit, 3-Digit/SCF, ADC, Mixed ADC container levels
- 3-Digit/SCF (bundle level)
3-Digit/SCF, ADC, Mixed ADC container levels
- ADC (bundle level)
ADC, Mixed ADC container levels
- Mixed ADC (bundle level)
Mixed ADC container level

Container Price

The container price applies to all Outside County mail prepared in trays, sacks, pallets, or other containers. Sacks will be accepted at all dropship levels if they contain Parcels and only accepted at DSCF, SDC, and DDU if they contain Flats. For containers containing both Periodicals and USPS Marketing Mail pieces, the container price is multiplied by the proportion of weight on the container contributed by the Periodicals pieces. The following price categories are available for the product specified in this section:

- a. Pallet Container Price
 - Carrier Route
DDU, DSCF, DADC, DNDC, Origin entry levels
 - 5-Digit
DSCF, DADC, DNDC, Origin entry levels

1505.6 Certificate of Mailing

1505.6.1 Description

- a. Certificate of Mailing service furnishes evidence that mail has been presented to the Postal Service for mailing. Two types of Certificate of Mailing service are offered:
- b. Certificate of Mailing (Forms 3817 and 3665): furnishes evidence that pieces addressed to specific individuals were presented to the Postal Service for mailing using First-Class Mail, First-Class Package Service, Priority Mail, Package Services, **Parcel Return Service**, and USPS Retail Ground.
- c. Certificate of Bulk Mailing (Form 3606): Only furnishes evidence that a number of identical-weight pieces were presented to the Postal Service for mailing using First-Class Mail, First-Class Package Service, Priority Mail, USPS Marketing Mail (except Customized MarketMail), Parcel Select, Package Services and USPS Retail Ground.
- d. Certificate of Mailing service does not include retention of a record of mailing by the Postal Service or provide evidence of delivery.
- e. A mailer may, upon request and payment of the appropriate fee, obtain an additional Certificate of Mailing on terms specified in the Domestic Mail Manual.
- f. Certificate of Mailing service may be requested only at time of mailing.

1505.6.2 Prices

Individual Piece Prices

	(\$)
Original Certificate of Mailing, Form 3817, individual article presented at retail	1.85
Three or more pieces individually listed on Form 3665-Firm or USPS approved customer provided manifest (per piece listed)	0.54
Each additional copy of original Certificate of Mailing, or original mailing receipt (Form 3877) for Registered Mail, insured mail, Certified Mail, and COD mail (each copy)	1.85

CASS (Coding Accuracy Support System) Certification

CASS evaluates and certifies the accuracy of address-matching software that applies ZIP + 4, DPV (Delivery Point Validation), LACS^{Link} (Locatable Address Conversion Service), CRIS (Carrier Route Information System), DSF² (Delivery Sequence File—2nd Generation), eLOT (enhanced Line of Travel), RDI (Residential Delivery Indicator) and Five-Digit ZIP. The Postal Service certifies software meeting its standards until the expiration of the applicable CASS cycle. Software must be re-certified for each CASS cycle. Ordinarily, a CASS testing cycle extends from August 1st through July 31st of the next year, and permits software use until the following July 31st.

Change-of-Address Customer Notification Letter Reprint

Change-of-Address Customer Notification Letter Reprint provides customers with a copy of the letter that is sent to the customer's new address following the filing of a Change-of-Address order with the Postal Service.

Change-of-Address Information for Election Boards and Registration Commissions

Change-of-Address Information for Election Boards and Registration Commissions service provides election boards and voter registration commissions with the current address of a resident addressee, if known to the Postal Service.

City State

The City State service is a comprehensive ZIP Code list associated with the appropriate city, county, and Post Office names. Copying is allowed for an additional fee.

CDS (Computerized Delivery Sequence)

CDS service provides and updates delivery sequence address information by carrier route for qualified mailers. The CDS No Stat service provides and updates nondelivery address information about new construction and rural route vacancies by carrier route for qualified mailers.

Correction of Address Lists

Correction of Address Lists service provides current information concerning name and address mailing lists or correct information concerning occupant mailing lists to certain owners of such lists. New names will not be added to a name and address mailing list, and street address numbers will not be added to or changed for an occupant mailing list.

Z4CHANGE

The Z4CHANGE service provides the information necessary to facilitate frequent and cost-effective updating of very large computerized mailing lists for automation compatibility and improved deliverability. Copying is allowed for an additional fee.

Z4INFO

Z4INFO is an add-on utility to the ZIP + 4 service that can be integrated into address-matching software to improve address quality.

ZIP + 4 Service

The ZIP + 4 service is the base reference that can be used to assign the correct ZIP + 4 Code associated with a physical address. Copying is allowed for an additional fee.

ZIPMove

The ZIPMove data file assists address-matching software in providing up-to-date, accurate ZIP + 4 codes. Copying is allowed for an additional fee.

ZIP Code Sortation of Address Lists

~~ZIP Code Sortation of Address Lists service provides sortation of addresses to the finest possible ZIP Code level.~~

99 Percent Accurate Method

The 99 Percent Accurate Method provides testing of mailers' address lists to determine how up-to-date the lists are. Lists deemed to meet threshold requirements are considered to be Move Update compliant.